

MINNESOTA · REVENUE

SALES AND USE TAX

City of Ely

March 1, 2002

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of H.F. 3343 (Bakk) / S.F. 3042 (Doug Johnson)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
General Fund	No impact	(000's)	No impact	

Effective the day after the Ely city clerk files with the Secretary of State the documents required under Minnesota Statutes, §645.021, subdivision 3, regarding local approval of special laws.

EXPLANATION OF THE BILL

Current Law: Minnesota Statutes, §477A.016, prohibits local units of government from imposing a new or increasing a present tax on sales or income.

Proposed Law: The bill authorizes the city of Ely to impose a sales and use tax of 1%. The proceeds must be used to pay the bonded debt used to finance specified municipal improvements. A referendum must be held on the proposed tax at the first municipal general or special election. The tax would expire when sufficient revenue has been raised to retire the bonds, or earlier as the city council determines.

REVENUE ANALYSIS DETAIL

The bill would have no impact on the general fund or any other state fund.

ADMINISTRATIVE/OPERATIONAL IMPACT

The cost of administering local sales taxes is deducted from the proceeds.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>

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